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Housing Today: Boston's Challenges and Opportunities



City of Boston
Thomas M. Menino,
Mayor

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Thomas M. Menino, Mayor



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EXECUTIVE SUMMARY:

When I became mayor of Boston in 1993, one of my top priorities was to create a housing and neighborhood stabilization plan. The plan reflected the economic reality of the times: a weak economy and a real estate market in free-fall. Foreclosure rates were astronomical and the number of abandoned buildings skyrocketed to over 4,500 in 1993. The plan called for an ambitious homeownership strategy designed to create 8,000 new homeowners in Boston over a four-year period.

In 1996, I convened an advisory panel on housing to study the impending end of rent control and its effect on Boston's housing market and the economy in general. While the main goal of the 1996 strategy was to create mechanisms to cushion the end of rent control, increased homeownership was again a major focus.

While we have successfully met or exceeded many of our earlier housing goals, Boston continues to face a severe housing shortage. Accordingly, I have placed housing at the top of my administration's agenda for 1999.

In 1999, the City of Boston will invest \$25 million dollars in housing to create 2,000 homes for the residents of Boston. That funding includes \$10 million of City revenue for the preservation and expansion of Boston's housing stock. That marks the first time in history that the City has put its own money into housing. As a symbol of my commitment to addressing the housing crisis, a new Cabinet position has been created specifically for Neighborhood Development. The Director of the Department of Neighborhood Development now serves as Cabinet Chief – putting that position on par with public safety, education and the environment.

I believe that in order for my administration's housing policy to positively impact our neighborhoods, citizens must be educated and involved in the process. Accordingly, this report is designed to provide a concise overview of this administration's housing priorities, goals and policies. In simple, easy to read text, this report explains the housing challenges facing the city and my administration's policies and programs to address those challenges. It explains how the administration targets funds in order to get the most out of every dollar the City puts in to housing. It reflects my commitment to ensuring that Boston remains the kind of city where people can and want to buy homes and raise their families.

The report is organized around the Menino Administration's five central housing goals:

- Empower new and existing homeowners
- Expand homeownership opportunities citywide
- Preserve existing rental housing
- Encourage the production of new rental housing
- Protect our most vulnerable residents

It is my hope that this document will help citizens, neighborhood organizations, community development corporations, developers and businesses rally around the issue of housing and work with us to make Boston a city where all its residents live in clean, safe, decent affordable homes.



Thomas M. Menino, Mayor
City of Boston

INTRODUCTION

Boston is currently enjoying one of the most prosperous periods in recent history. The city's economy is stronger than it has been in over thirty years. Unemployment is down, crime rates are at their lowest in three decades, property values are up, population figures are holding steady, private investment in the city is at an all time high and Boston's bond rating is the best it has ever been. Yet Boston is facing a severe housing crisis. There is an insufficient supply of housing, and affordable housing in particular, for renters and owners of all but the highest incomes.

According to HUD's 1998 State of the Cities report, cities nationwide continue to face two main challenges: 1) The triple threat of concentrated poverty, shrinking populations and middle-class flight that began two decades ago, and 2) Three fundamental opportunity gaps – in jobs, education and housing – that are critical to reducing poverty and attracting, retaining and developing middle-class families.

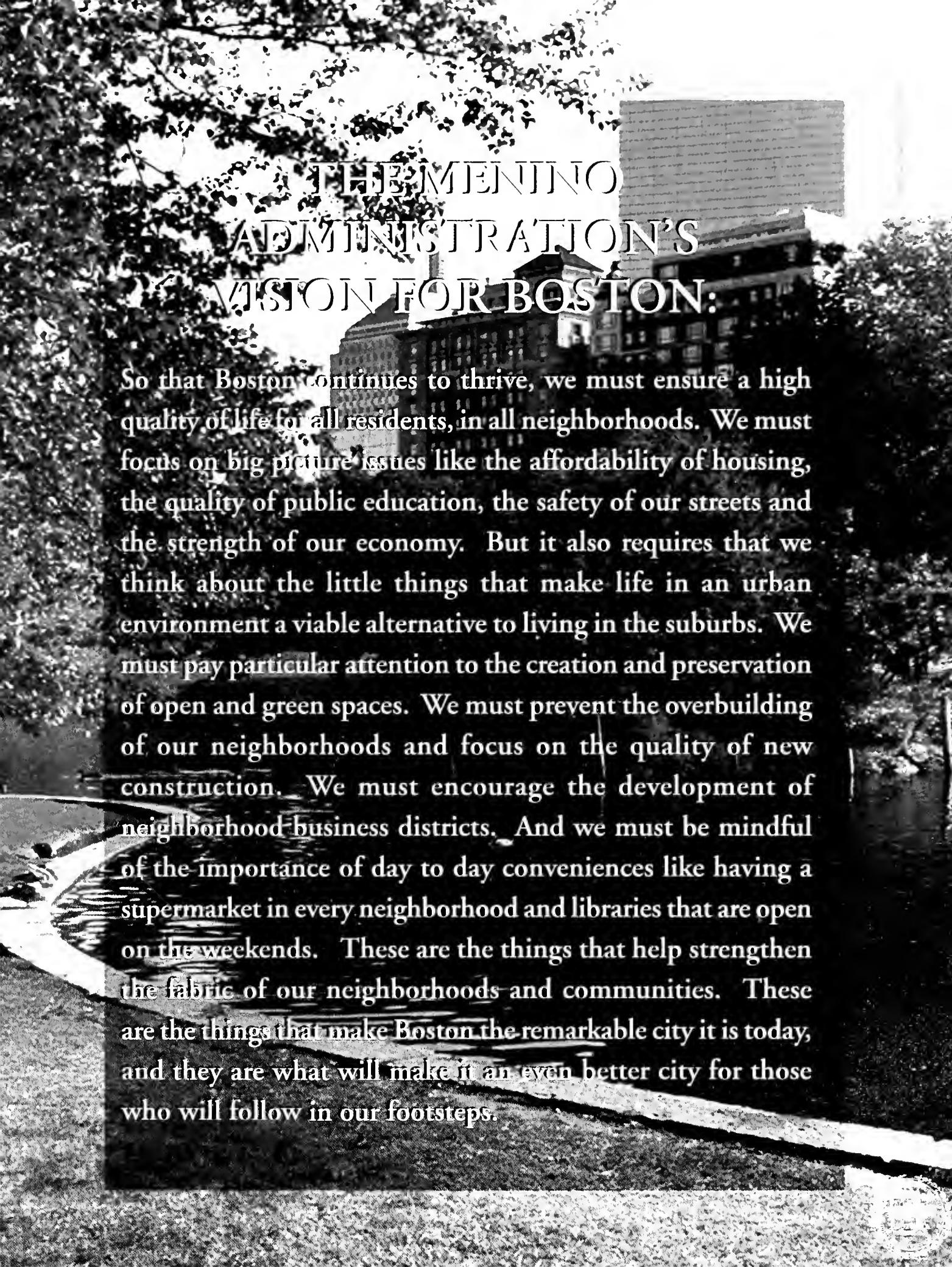
The Menino Administration believes that these two challenges are directly related to the need for increased affordable housing opportunities. Accordingly, the Administration is committed to preserving and increasing the supply of affordable housing for both renters and homebuyers in Boston.

During the late 1980s and early 90s, Boston, like many other American cities, experienced substantial middle-class flight. People were leaving cities in favor of what they believed were greener, safer, quieter suburbs. For several years, the statistics on urban flight painted a bleak picture for cities. But by the mid-1990s the tide turned in Boston. The economy rebounded, innovative crime fighting strategies began to take hold, and slowly the outward migration figures began to reverse themselves. While people were fleeing the city in droves less than a decade ago, Boston's real estate market quickly became one of the hottest in the country. Neighborhoods once marred by violence, abandoned housing, disinvestment and economic stagnation have been revitalized, with the help of the public and private sectors, and now serve as model communities. Although the current economic prosperity has contributed to a higher quality of life for most Bostonians, it has also contributed to higher housing costs.

Boston is unique because it still has a middle class. Many American cities are left only with a population comprised of the very rich and the very poor. We have managed to avoid this fate so far, but Boston is at risk of losing its middle class because there simply are not enough affordable homes for families to rent or buy. The Menino Administration is committed to ensuring that Boston remains a city where residents of all incomes can find homes in which to build their lives.

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THE MENINO ADMINISTRATION'S VISION FOR BOSTON:

So that Boston continues to thrive, we must ensure a high quality of life for all residents, in all neighborhoods. We must focus on big picture issues like the affordability of housing, the quality of public education, the safety of our streets and the strength of our economy. But it also requires that we think about the little things that make life in an urban environment a viable alternative to living in the suburbs. We must pay particular attention to the creation and preservation of open and green spaces. We must prevent the overbuilding of our neighborhoods and focus on the quality of new construction. We must encourage the development of neighborhood business districts. And we must be mindful of the importance of day to day conveniences like having a supermarket in every neighborhood and libraries that are open on the weekends. These are the things that help strengthen the fabric of our neighborhoods and communities. These are the things that make Boston the remarkable city it is today, and they are what will make it an even better city for those who will follow in our footsteps.

OUR MOTIVATION:



The Menino Administration's motivation for improving and expanding the stock of housing in every neighborhood is simple: if middle-class Bostonians do not have safe, clean, and affordable housing options, they will leave the city. That means that the city will become a bastion of the rich and the poor. We believe that diversity of all kinds, including economic, is critical to the future of Boston. Housing is so much more than the bricks and mortar of buildings. It is where we live our lives, build our families and create memories to last a lifetime. It is the lifeblood of our neighborhoods. A city without decent homes and families to live in them is a city without a soul.

OUR RESOURCES:



In 1999, the Menino Administration will invest \$25 million in housing. For the first time, the City will contribute its own revenue, \$10 million, toward the production and maintenance of affordable housing for the residents of Boston. The City's Department of Neighborhood Development and the Boston Redevelopment Authority are responsible for overseeing housing development in the city. The Menino Administration is consolidating the housing agendas of the BRA and DND so that the City's housing efforts are streamlined.

The Department of Neighborhood Development distributes federal funds to finance housing development for projects that are affordable to families at or below 80% of median family income (currently, a family of four earning \$45,300 a year is considered to be at 80% of median family income). Additionally, DND uses federal and state funds for educational programming, grants and loans for homebuyers and homeowners. DND works closely with the City's non-profit partners, the community development corporations (CDCs), to produce affordable housing. CDCs play a vital role in the Administration's efforts to develop and build affordable housing in targeted neighborhoods.

According to the Department of Neighborhood Development's 1998 Consolidated Plan, there is an acute need for housing of all types and for all income levels in Boston. Our city thrives, in part, because of the diversity of its neighborhoods and residents. While the Menino Administration focuses most of its housing resources on the creation and maintenance of affordable

housing, it also recognizes the importance of private development of market rate housing to the city's economic health. Accordingly, the Boston Redevelopment Authority plays a key role in coordinating the development of projects that generate higher tax revenues. For example, several market rate apartment developments are under construction in the Back Bay and Downtown, and the new South Boston Seaport Plan includes a mix of market rate and affordable housing options. The revenue generated by the high-end developments contributes to the tax base, enabling the City to provide the highest quality police, fire, and educational services available.

Through the City's Linkage program, economic benefits of downtown development are directed into affordable housing and jobs for neighborhood residents. Linkage requires developers to make a payment of \$5 per square foot of gross floor area for buildings in excess of 100,000 square feet. Since the Linkage program was created in the early 1980s, the City has received \$42.1 million in Linkage funds for housing development. These funds, which are distributed by the Neighborhood Housing Trust, have contributed to the creation of approximately 4,112 units of affordable housing.

OUR RESPONSIBILITY:



All Bostonians, regardless of income level, race, religion, age or disability, deserve equal and fair access to affordable housing in diverse neighborhoods that are stable and attractive. The Boston Fair Housing Commission is dedicated to ensuring that access through its affirmative marketing, education and outreach programs. The Menino Administration believes that it is the responsibility of government to serve all citizens. To that end, we are committed to providing a safety net for vulnerable citizens so that when the current wave of economic growth inevitably breaks, no one will slip below the surface.

QUALITY OF LIFE IN BOSTON

Boston prides itself on being one of the most livable cities in the country. We have received national praise for everything from our youth violence prevention programs to our citywide Main Streets program. We have managed to create a business climate in which both international corporations and independent entrepreneurs can prosper. Our neighborhoods are thriving thanks to collaborations among residents, the police department, businesses, our religious communities and the City.



Boston's economy is stronger than it has been in thirty years.

- The unemployment rate is currently 3.6 percent. The city's average unemployment rate for 1997 was 4.2 percent, the lowest rate since 1989.
- Since 1993, 60,000 new jobs have been created in Boston.
- In 1997, 1.1 billion dollars worth of private development took place in the city.
- Boston's downtown office market is the hottest in the country. By the end of 1997, our "Class A" office vacancy rate was 2 percent.
- Fortune Magazine named Boston the third best city for business in North America in 1997.
- Boston trails only London and New York City as investment capitals of the world.
- Moody's Financial Services gave Boston its highest bond rating ever: Aa3

Boston's streets are safer than they have been in almost three decades.

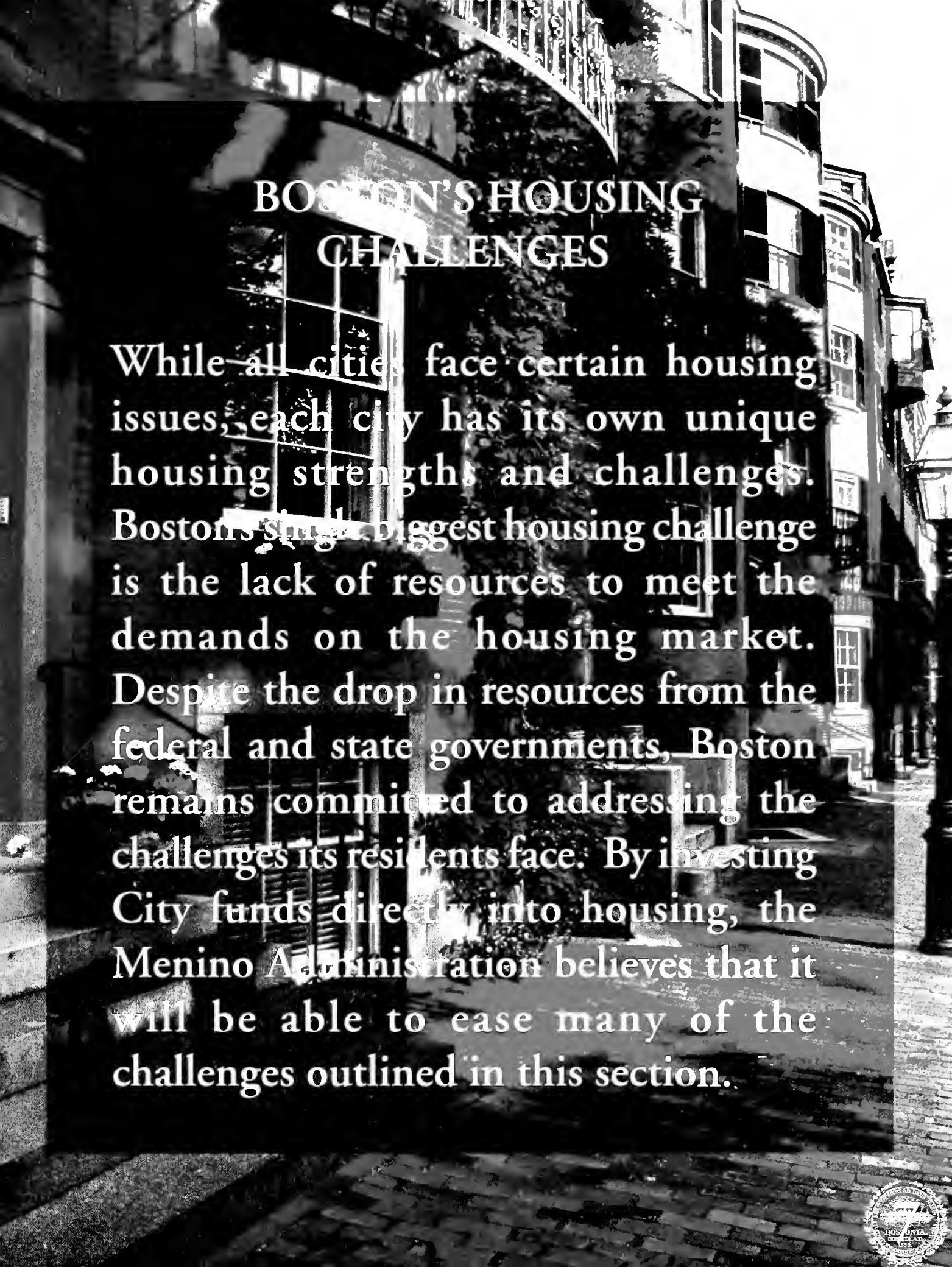


- For the first six months of 1998, violent crime is at its lowest level in 27 years and property crime is at its lowest level in 31 years.
- Homicide is at its lowest level in almost forty years.
- Over 75 percent of people surveyed in every part of Boston say that they feel safe outside in their neighborhoods at night.
- One in every four Bostonians knows a Boston police officer by name or face - almost twice as many as three years ago.

Boston's public schools are on the road to reform.



- On October 26, 1998, our fifth and final NetDay, we reached an important milestone: all 128 of our schools and all of our libraries were completely wired to the Internet through a \$26 million-dollar public-private investment.
- Reading and math test scores are up across the grade levels.
- In 1998, three new Early Education Centers opened in Mattapan, East Boston and on Blue Hill Avenue, and the new Arts Academy opened in the Fenway.



BOSTON'S HOUSING CHALLENGES

While all cities face certain housing issues, each city has its own unique housing strengths and challenges. Boston's single biggest housing challenge is the lack of resources to meet the demands on the housing market. Despite the drop in resources from the federal and state governments, Boston remains committed to addressing the challenges its residents face. By investing City funds directly into housing, the Menino Administration believes that it will be able to ease many of the challenges outlined in this section.





CHALLENGES

1. **There is a need for additional homeownership opportunities in most neighborhoods of Boston.** More people take the City's home buying classes than there are homes for sale in Boston. Longtime residents are being forced to move out of their neighborhoods because of skyrocketing prices. The median price of a two-family house in Jamaica Plain exceeds \$230,000, and in South Boston the average price of a condominium is now more than \$142,000.
2. **There is a strong demand for affordable rental units throughout the city.** As of December 1998, the vacancy rate for rental housing was under 2% citywide. According to the City's Consolidated Plan, there are almost 10,000 households in Boston that now live in substandard units or pay more than 50 percent of their income for housing. Boston's student population creates added pressure on the rental housing market in certain neighborhoods, particularly in Allston/Brighton and the Fenway. In most areas of Allston/Brighton, the owner occupancy rate is only 17%. And in the Fenway, it is only 6.7%. In those neighborhoods the average rent is significantly higher than the median rent in the city as a whole.
3. **Middle income residents are being priced out of the housing market.** Workers earning good incomes who would like to buy homes in the city are being forced to move to the suburbs because of rising prices. Boston will have difficulty attracting new residents to fill job vacancies unless there is an increase in the supply of housing. Adding to the housing supply would relieve some of the pressure on many of the city's neighborhoods.
4. **Vacant properties are a blight on our neighborhoods and often rob the City of needed tax revenue.** Vacant and abandoned properties are a drag on the efforts of the City and community groups to stabilize and revitalize our neighborhoods, and they represent a loss of much needed housing stock. In the summer of 1997, the City identified 1,125 vacant properties, predominantly located in Wards 12, 14, 17 and 18 (Roxbury, Mattapan and North Dorchester). In response, the Menino Administration launched a Vacant Housing Initiative to combat this problem. By July of 1998, the number of vacant properties had been brought down to 667, of which 499 are residential properties.
5. **The Boston Housing Authority faces an ongoing challenge to improve the quality of public housing.** The BHA is working to bring the quality of its nearly 16,000 units up to the level of privately managed affordable rental units. Under new leadership, the BHA is focusing on its property management role and is working to maintain its existing stock and improve the conditions for residents.



6. There has been a steady loss of federal funding for rental housing and no new federal housing initiatives to help cities meet the increasing demand for affordable housing options. Although housing costs continue to rise, since 1994 Congress has provided only limited new housing certificates to families on the waiting list for housing assistance. Rent for a two-bedroom apartment ranges anywhere from \$725 per month in Roslindale to \$2,500 per month in central Boston, with the average being approximately \$1,200 per month citywide. Yet HUD's FY98 Fair Market rent is \$874 per month, so even families who are lucky enough to have certificates can't find apartments at that rent level.
7. Welfare reform means thousands of additional people will be in need of affordable housing. The primary housing problem faced by Boston's residents is the cost of rent or mortgage payments. One third of Boston's households pay between 30% and 50% of their total household income for housing costs. For poor households, even paying 1/4 to 1/3 of their total income for housing is an extreme burden as it leaves very little money for other basic living expenses such as food or transportation. On December 1, 1998, approximately 1,200 Boston residents became ineligible for welfare payments. They will undoubtedly face severe housing cost burdens as a result of the loss of their federal welfare payments. This will ultimately affect all Bostonians because it will place increased pressure on the already extremely tight housing market.
8. **Boston is at risk of losing approximately 2,800 units of federally subsidized housing.** In the 1970s, the federal government offered financing to developers to build affordable rental housing. In return for the loans, the owners agreed to provide affordable units. Although the mortgages are for forty years, owners have the option of pre-paying them after twenty years. Now, many of those loans are eligible for pre-payment. Currently there are 15 projects, with a total of 1,798 units, in jeopardy.

In addition, more than 1,000 units which have Section 8 project-based contracts and whose owners have the option to opt out of their HUD agreements are in danger. Existing income-eligible tenants of these buildings receive vouchers from HUD, which are applied toward their rent. The money for these vouchers is appropriated annually by HUD. When existing tenants leave, landlords will be able to charge market rate rents for these previously subsidized units.

The long-term repercussion of the loss of expiring-use and Section 8 buildings is a whittling away of our affordable housing stock.

9. **Siting for special needs housing is difficult in every neighborhood of the city.** Vocal community opposition to the siting of residential programs has resulted in a shrinking supply of permanent housing for special needs and formerly homeless residents. In addition, there is very limited physical space on which to develop special needs housing downtown and in the neighborhoods.



BOSTON'S HOUSING GOALS:

It is with these housing challenges in mind that the Menino Administration has shaped its housing policy around five main goals:



- A) EMPOWER NEW AND EXISTING HOMEOWNERS
- B) EXPAND HOME OWNERSHIP OPPORTUNITIES CITYWIDE
- C) PRESERVE EXISTING RENTAL APARTMENTS
- D) ENCOURAGE THE PRODUCTION OF NEW RENTAL HOUSING
- E) PROTECT OUR MOST VULNERABLE RESIDENTS

GOAL A: EMPOWER NEW AND EXISTING HOMEOWNERS

The Menino Administration is committed to ensuring that Boston remains the kind of city where people want to buy homes and raise families. We believe that homeownership strengthens our communities in numerous ways. Homeowners have a real stake in their neighborhood, so they are more likely to get involved in preserving the character, safety and quality of life in their community. Neighborhoods with high owner-occupancy rates tend to have active community groups and strong support networks. In Boston, we're doing everything we can to help people achieve the dream of homeownership through education and by providing them with the resources they need to purchase and maintain a home.

ISSUE: KNOWLEDGE AND RESOURCES FOR HOMEBUYERS

With interest rates at their lowest levels in decades, there has never been a better time to buy a home. However, certain neighborhoods have suffered from irresponsible lending practices by banks and mortgage companies, resulting in unusually high foreclosure rates. The Menino Administration believes that educated consumers are less likely to fall victim to such scams. We also recognize that potential first-time homebuyers need accessible, friendly assistance to navigate the maze of purchasing and financing a home.

POLICY:

Through programs sponsored by the Boston Home Center and City-supported non-profit organizations, the Menino Administration educates potential homebuyers about the short and long term responsibilities associated with buying a home. In 1999, we anticipate the Home Center, our "one-stop" center for information on home-buying, will serve approximately 30,000 people.

The Menino Administration provides technical and financial assistance to new homebuyers. The City uses federal, state, and local funds to assist income eligible homebuyers with closing costs, down payments, rehab assistance and reduced-cost mortgages. Homebuyers must have incomes below 120% of median income to qualify for these grants. Additionally, the City works with lenders to offer discounted mortgage rates to first time homebuyers. In FY98, 686 people received home buying assistance grants. Of those 686 people, 43% were from female-headed households. Interestingly, the percentage of new homebuyers receiving assistance grants who are moving from outside Boston to within Boston has risen dramatically over the past two years. In FY96, only 9% of new homebuyers came from outside the city. In FY98, that figure has jumped to 23%.

In 1998, over 3,250 people completed the City's free **Homebuying 101** or other City approved non-profit homebuying classes in Boston. We have developed multilingual Homebuying 101 and have partnered with non-profit groups to offer courses in Spanish, Vietnamese, Haitian, Portuguese, Cantonese, Mandarin and American Sign Language.

In 1999, the Menino Administration will increase access to homebuyer and homeowner information at the neighborhood level. The City is exploring options for a mobile information vehicle that will serve as a travelling Home Center. Additionally, we will expand our multilingual education programs to include traditionally underserved populations. Our goal is to increase homeownership rates citywide by bringing information to the neighborhoods.

In 1999, the Menino Administration will develop a program to assist new buyers who want or need to make repairs when they purchase their home.

For most new homeowners, the cost of buying a home leaves them with little money to spend on repairs. Significant home repair needs within the first few years of homeownership can put the new owners in financial jeopardy. The Menino Administration will encourage buyers to complete necessary home repairs before they move into the property and to finance the repair costs at more affordable mortgage rates and terms. In 1999, we will provide 40 new homebuyers with Purchase Rehab Option (PRO) grants of \$5,000 for home repairs.

The Boston Soft Second Mortgage program offers lower income buyers a discounted mortgage rate with no points, reduced closing costs and no mortgage insurance fees. Eligible buyers get two mortgage loans, one for 75% of the cost of the home and a "soft second" loan for 20% of the cost.

ISSUE: KNOWLEDGE AND RESOURCES FOR HOMEOWNERS

Buying a home is only half the battle. Keeping a home is the key to long-term stability for residents and neighborhoods. After the initial thrill of buying a home, many owners begin to feel overwhelmed with the responsibilities inherent in homeownership.

POLICY:

The Menino Administration views the current loan consolidation craze as a threat to homeowners and to the long-term stability of Boston's neighborhoods. Accordingly, the City educates homeowners about the financial responsibilities of maintaining their homes. The City, through the Boston Home Center and our non-profit partners, created a Homeowner 201 program that provides classes for homeowners about landlord, property maintenance and financial issues. In addition, holders of City home improvement mortgages are required to receive counseling prior to refinancing.

The Menino Administration believes that financial assistance to homeowners prevents long-term neighborhood deterioration. Grants and loans are available to residents of a range of incomes through DND. Since 1994, almost 2,300 homeowners have received financial assistance for home renovations and improvements. The City has invested more than \$18 million over the past four years to help homeowners make repairs to more than 4,000 units because the Menino Administration believes that today's unmaintained houses are tomorrow's abandoned houses.

The Senior Rehab program provides low interest or no interest loans to homeowners age 62 or older for basic home improvements. Grants for emergency repairs are also available. Over a four-year period, Senior Home Rehab has helped 658 seniors make repairs to 1,267 units.

Homeworks provides grants of up to \$4,000 to low, moderate and middle income homeowners for interior and exterior improvements. Since 1994, the City has invested \$3.5 million to help renovate 2,200 units. Recognizing the value of the historic features of Boston's housing stock, in August of 1998 the City announced a new program — **Historic Homeworks** — which provides additional grants for preservation/restoration of the exterior of older homes whether or not they are located in historic districts.

The Menino Administration is committed to providing a safe and healthy home environment for Boston's children. Lead Safe Boston makes grants and low-interest loans available to make homes lead safe for children under the age of seven. Between January of 1994 and June of 1998, 286 grants helped de-lead 611 units in Boston. The City recently received funding to develop a pilot program to investigate the links between asthma and deteriorating housing conditions.

GOAL B: EXPAND HOMEOWNERSHIP OPPORTUNITIES CITYWIDE

ISSUE: FINANCING THE DEVELOPMENT OF NEW HOMES

More people take the City's Homebuying 101 class than there are homes available for sale. People want to become homeowners but the supply of available homes is scarce. Since the supply is scarce, prices are driven up. In order to increase homeownership rates, we must build additional homes for residents of all incomes.

POLICY:

Through financial assistance, the Menino Administration encourages both non-profit and for-profit developers to build new homes or rehabilitate existing homes. DND offers one homeownership funding round annually to developers for the production of new homeownership opportunities. In 1999, the Menino Administration will invest up to \$2 million in this competitive funding round. Other financing opportunities include **Home Again** and the **1-4 Family Housing Program**.

To increase development, the City, through DND, oversees the development of new homes. In some instances, DND fills the gaps in development by building or rehabbing projects of its own through the **Ten Most Wanted Program** and the **Residential Development Program**. Since 1993, the City has invested more than \$5 million in the Ten Most Wanted program, and over the past four years, it has invested more than \$1.5 million in the Residential Development Program.

Home Again: In May of 1998, Mayor Menino allocated \$3,000,000 in Linkage funds toward the development of 150 new homes on city-owned vacant lots in Mattapan, Dorchester and Roxbury. This program helps the City reach two of its goals: the development of more affordable homeownership opportunities and the transformation of vacant lots into home sites. The City's Neighborhood Housing Trust distributes the funds to assist developers to bridge the gap between the cost of construction and the appraised value. There are currently 83 units in the pipeline or in construction of which 78 are home ownership opportunities.

The 1-4 Family Housing Program: In collaboration with its partners in the Massachusetts Department of Housing and Community Development, Local Initiatives Support Corporation (LISC) and Boston Community Capital, the City of Boston has provided financing to eight Boston CDCs to rehabilitate 1-4 family buildings in strategically targeted areas for first-time homeownership. This program targets our neighborhoods' worst buildings for renovation. From July 1, 1997 to June 30, 1998, the City committed almost \$900,000 to this program for the production of 27 new homes.

The Residential Development Program: DND sells vacant city-owned buildings to first-time home buyers for redevelopment into affordable housing. Throughout all stages of the renovation, DND staff work closely with the owner providing financial assistance and project management services. This includes grants for closing costs, down payments and renovations, mortgage pre-qualification and application assistance, and construction oversight. Since 1994, RDP has transformed 36 buildings into 76 new homes for the residents of Boston. In 1999, the City will invest more than \$450,000 in RDP.

ISSUE: CITY OWNED LAND AND BUILDINGS

A 1997 DND survey revealed 1,125 vacant properties citywide. Vacant and abandoned properties are a drag on the efforts of the City and community groups to stabilize and revitalize our neighborhoods. They are both an eyesore and a safety concern because vacant properties tend to be havens for illegal activity. They threaten neighborhood property values and also represent lost tax dollars for the City.

POLICY:

The Menino Administration is aggressively moving to rid Boston of vacant land and buildings.

Through a \$4,000,000 Vacant Housing Initiative, the City is turning vacant properties into much

needed housing. The City issued a request for proposals (RFP) for its vacant sites and now almost all formerly city-owned vacant houses are in the pre-development stage. By August 1998, the number of vacant properties had been reduced by over 40%, bringing the total to 667. Of those 667 properties, 499 are residential properties, 397 of which are privately owned. The results of the 1997 survey were surprising in that they revealed that more than half the buildings were current on their taxes. DND has begun working with the owners to help them decide a course of action for those properties. Financial assistance is available to owners who want to renovate their properties. Of the 397 privately owned properties, 72 have firm rehab plans, are under construction or have completed renovations. The City is in contact with or attempting to contact the remaining owners.

In place of the former auction process, the Menino Administration uses the RFP process to dispose of City-owned land and buildings. In order to transform vacant land or buildings into sites for new homeownership opportunities, the City solicits proposals that are based on financial feasibility and, in certain cases, on the developers' commitment to affordability. This change has greatly improved the process and has led to a more efficient system for disposing of city-owned properties.

In 1999, the Menino Administration plans to sell the old Boston Police Headquarters building on Berkeley Street and will put the proceeds from the sale into the development of moderate income housing.

Real Estate Disposition Initiative (REDI): This program makes surplus, tax-foreclosed City-owned real estate and land available to private buyers who agree to invest in the rehab of the property.

GOAL C: PRESERVE EXISTING RENTAL HOUSING

The Menino Administration is committed to preserving Boston's stock of affordable rental housing. The demand for rental housing remains extremely high and accordingly, prices have skyrocketed in recent years. The median rent for a two-bedroom apartment in the South End is now \$1,500 per month – up from \$1,200 in 1995. In South Boston, the average monthly rent rose from \$825 in 1995 to \$1,200 in 1998. The City contributes funding, land and buildings to help ease the demand on the rental housing market.

According to the 1998 Consolidated Plan, the City conservatively estimates that it would require approximately \$371,000,000 in rental housing development funding over the next four years to address the needs of the approximately 10,000 households with incomes between 31% and 80% of the median family income and with a severe housing burden. The City's rental development budget for FY99 is just over \$9,000,000. We use those funds strategically to preserve the aging stock of affordable rental units, especially for our most vulnerable residents, as well as to encourage new production.

ISSUE: "EXPIRING USE" BUILDINGS

There are approximately 15,117 privately owned government subsidized rental units in Boston. Many of those units are owned by nonprofit organizations whose mission is to preserve affordable housing. Others are owned by investors who have received government assistance beyond their original loan and are therefore not eligible to prepay their mortgages any time soon. But several thousand are owned by individuals or companies who are, or will soon be, eligible to prepay their mortgages. These units are in what are known as "expiring use" buildings. The owners of these buildings received government financing in the 1970s. As a condition of that financing, the owners agreed to keep some units affordable. However, the loans also included a clause that allows the owner to prepay the 40-year loan in 20 years. In recent years, many of those loans have become eligible for prepayment. The danger is not for the current residents of these buildings, as they will receive vouchers to cover their increased rent. However,

In 1998, the Menino Administration negotiated with the owner of the 152 unit **Christopher Columbus Apartments** in the North End to keep 60 apartments affordable through January 2005 and at least 45 affordable apartments in perpetuity. That was a major victory for the neighborhood because it preserves affordability in an area of the city that is experiencing high rent increases.

The Administration reached a similar agreement with the owner of the **Rockingham Glen** apartments in West Roxbury: at least 30 percent of those apartments will be permanently affordable.

future tenants will receive no such support. Over time, this will eat away at the stock of affordable rental housing.

There are currently 15 projects, with a total of 1,798 units that are in jeopardy of being lost as affordable housing due to prepayment of mortgages.

POLICY:

The Menino Administration supports legislation that seeks alternatives to prepayment. In addition, Administration has and will continue to negotiate with owners to preserve affordability, especially in neighborhoods with overheated housing markets where we have targeted properties we believe are at risk.

ISSUE: EXPIRING SECTION 8 PROJECT-BASED CONTRACTS

Boston has approximately 11,331 rental units funded with HUD project-based Section 8 contracts that are slated to expire and will need to be renewed through 2002. These units, like those in the "expiring use" buildings, will be lost if the landlords choose not to renew their HUD contracts. Of the approximately 11,000 units, 5,583 are subject to some additional use restrictions to ensure affordability but 5,748 have no use restrictions. The Menino Administration has identified 1,010 units as being in serious jeopardy of being turned into market rate apartments.

When these Section 8 projects expire, income eligible residents can get vouchers to help pay their rent. These vouchers require the recipient to pay 30% of the rent. Two problems exist with regard to the vouchers: 1) HUD's caps on allowable rents are always lower than the market demands 2) There are no incentives for landlords to take Section 8 certificates.

POLICY:

The Menino Administration, through the BHA, has negotiated with HUD for increases in the value of rental subsidies. We will continue to do so and to lobby HUD for additional Section 8 vouchers. HUD currently caps allowable rents, including utilities, in Boston at \$697 for a one-bedroom apartment and \$874 for a two-bedroom. However, the average residential rent in Boston in the fall of 1997 had risen to \$1,047. And between June of 1997 and June of 1998, rents in the Boston area rose 4.3 percent.

In 1999, the City will underwrite affordable housing projects that are specifically designed for section 8 voucher residents.

The Menino Administration influences landlords' decision making to preserve affordability. Through access to loan and grant programs, we negotiate with landlords to preserve affordability.

ISSUE: BOSTON HOUSING AUTHORITY PROPERTIES

The Boston Housing Authority manages approximately 16,000 units in the city of Boston and currently has a waiting list of 12,000 people. As in the private housing market, the demand far outweighs the supply of available units in public housing. And as the federal pot of money for housing continues to shrink, housing authorities across the country are forced to compete for dwindling resources and to find creative ways to get the money they need.

POLICY:

The Menino Administration has made improved property management operations within all of the Boston Housing Authority's developments a priority. The goal is for BHA properties to be able to compete with private sector affordable housing. Success will then enable the BHA to attract a broader range of tenants - from those at the lowest income levels, families earning only about 17% of median family income, to those who traditionally would not consider public housing, families earning about 50% of median. The income-tiering policy will be instituted gradually and would only affect future tenants. The BHA believes that by marketing their properties to people of slightly higher incomes, it will be able to partially offset the loss of income from diminishing federal funding and also provide role models to young public housing residents.

ISSUE: HOPE VI PROPERTIES

In 1993, HUD awarded the BHA \$50 million dollars from the HOPE VI program for a total transformation of the Mission Main public housing development. The BHA agreed to raise an additional \$12,000,000 in private funding. The transformation includes the demolition or redesign of existing buildings and the construction of 535 new mixed income public housing units. Construction on Mission Main began October 1, 1998 and is slated to be complete by 2003.

In 1996, the City secured a HUD HOPE VI Plus grant for the revitalization of the Orchard Park housing development. The program leveraged \$33 million in HUD funds to generate a \$120 million investment in the development and its surrounding community. Phase I of the rehabilitation is complete and 126 units have been renovated. The 19 remaining buildings have been demolished and 509 new units are being constructed, for a total of 635 new mixed-income public housing units. More than 260 of those units will be built on vacant lots in the neighborhoods immediately surrounding Orchard Park. By filling in the "missing teeth" on scattered vacant lots, the entire neighborhood is being transformed.

POLICY:

In 1999, the Menino Administration will aggressively pursue additional HOPE IV funding for other BHA properties identified by HUD as being eligible for the program. Orchard Park, now called Orchard Gardens, has become a national model for the successful revitalization of public housing. With its townhouse style design, back yards, front yards and individual street addresses, Orchard Gardens has the look of a community with a bright future. Institutional looking buildings that were once havens for illicit activities are now homes that residents are proud to live in. We will work to ensure the same kind of success at Mission Main and at future HOPE VI developments.

ISSUE: DEMONSTRATION DISPOSITION PROGRAM

There are currently eleven projects with 1,859 units included in the HUD/Massachusetts Housing Finance Agency (MHFA) Demonstration Disposition program. This program will substantially rehabilitate or replace these run-down developments and then convey the properties either to the residents or to other owners who are committed to long term affordability. The program was designed to help strengthen our neighborhoods by integrating the developments into the greater community. Much of the demonstration disposition stock is now in construction.

POLICY:

The Menino Administration cooperates with our partners at HUD and MHFA and with the resident organizations to ensure the long-term success and affordability of these projects. The revitalization of our neighborhoods is in the best interest of all residents and this pilot program gives us the opportunity to right some of the wrongs of past development.

ISSUE: THE END OF RENT CONTROL

Rent control ended in Boston in 1996, just as the rental housing market emerged from the recession of the early 1990s. Although more than two years have passed, Boston's residents continue to feel its effects. Approximately 6,000 to 7,000 formerly rent-controlled tenants fall into the category of elderly, low-income or disabled. For many of them, the effects have been particularly acute. Older residents living in the North End, the Fenway and Allston-Brighton have experienced dramatic rent increases over the past twenty-four months.

POLICY:

The Menino Administration prioritizes former rent control tenants for Section 8 assistance.

Through the Rental Housing Resource Center (RHRC), the Menino Administration assists both landlords and tenants. The RHRC helps nearly 17,000 people per year, the vast majority of whom phone the Center for help. In addition, through a precedent-setting agreement with the Boston Housing Court, RHRC intervenes to encourage mediation as an alternative to eviction.

GOAL D – ENCOURAGE THE PRODUCTION OF NEW RENTAL HOUSING

In the current real estate market, there is little incentive for developers to produce new affordable rental housing because the cost is high and the return is negligible. Except for a limited number of luxury rental developments, production is scarce and will remain so until developers can earn an adequate rate of return on their investment.

ISSUE: FINANCING RENTAL DEVELOPMENT

Historically, the federal government played a major role in financing new rental developments across the country. This involvement ended in the 1980s. The withdrawal of the federal government from housing production and the disinterest on the part of state government has left the City bereft of its usual partners to produce affordable rental units. Still, by piecing together the limited resources that do exist, the Menino Administration has succeeded in producing new affordable rental housing.

POLICY:

The Menino Administration commits resources for the production of affordable rental housing. In 1998, we invested \$2,000,000 in City funds toward that goal. Those funds complement HOME and CDBG funds and have the potential to leverage approximately \$60,000,000 in other funding.

The Menino Administration encourages small-scale developers and property owners to access City resources to create or rehab affordable units. Through our open enrollment, multi-family rental and moderate-rehab funding program called Hidden Assets, we are helping landlords bring vacant units back on line.

The Menino Administration supports recently filed state legislation to create a state Low Income Housing Tax Credit modeled after the federal credit.

Buildings with 5 or more units can get below market loans to acquire and renovate, or newly construct affordable rental properties through **Hidden Assets**. These deferred loans are limited to \$40,000 per unit and \$750,000 per project. The program works thanks to a partnership between the City, BankBoston and the Massachusetts Housing Partnership. Since July 1, 1996, more than 102 affordable units have been completed or are in the pipeline for construction under the **Hidden Assets** program.

Mayor Menino, through his leadership role in the U.S. Conference of Mayors, is part of a national effort to push the federal government for increased allocations of Low Income Housing Tax Credits. The low income housing tax credit is the only federal tax incentive for developers to develop low-income housing. Boston is part of an effort to increase these tax credits nationally.

ISSUE: THE IMPACT OF STUDENTS ON BOSTON'S HOUSING MARKET

One of the single biggest contributors to rising rents is the number of college students living in Boston - estimated to be 250,000 annually. Although the colleges, universities, and students pump millions of dollars into Boston's economy, they also create a real strain on the stock of affordable rental units. The large number of student renters particularly affects rents in Allston-Brighton and the Fenway.

POLICY:

The Boston Redevelopment Authority works with area colleges and universities to ensure that student-housing provisions are included in all master plans. After many years of only limited new dormitory construction, we are now beginning to see results. Within the next four years, Boston University will build housing for an additional 819 students. Northeastern University will add beds for approximately 595 students, Suffolk University will add beds for 750 students and Wentworth College is planning to build a dormitory for 750 students.

GOAL E - PROTECT OUR MOST VULNERABLE RESIDENTS

ISSUE: HOUSING FOR THE ELDERLY

There are approximately 26,000 rental households headed by elderly persons in Boston. Despite cuts in rental housing assistance, HUD still funds elderly housing through Section 202 of the National Housing Act. In the past two years, more than 100 seniors have moved into new affordable rental homes funded through the 202 funding program. There are 171 additional units currently in construction.

POLICY:

The Menino Administration invests resources into the production of elderly developments. The cost of construction of such projects is often higher than what is funded by HUD. The City consistently complements the federal funding by adding its own resources to the developments. Moreover, the Menino Administration encourages and supports innovative development of elderly housing in addition to those projects financed by the 202 program.

In October, the **GrandFamilies House** opened in Dorchester welcoming 25 families of grandparents raising their grandchildren. GrandFamilies is the first development of its kind and will serve as a model for new multigenerational housing complexes across the country. In addition to GrandFamilies, three other elderly housing buildings are in construction. When completed, they will provide 171 new homes for seniors, 78 of which will be in an affordable assisted living facility, the first of its kind in Boston.

In 1999, the Boston Housing Authority will continue to improve the quality of its housing for the elderly. Following the recommendations of the Mayor's 1994 Elderly Housing Task Force, the City and the Boston Housing Authority have made considerable capital improvements to all 38 BHA elderly housing developments. Approximately 3,700 seniors call BHA apartments home, and the Menino Administration is committed to ensuring that all units are clean, safe, affordable and dignified.

ISSUE: HOUSING FOR SPECIAL NEEDS RESIDENTS

Since the AIDS epidemic became a major public health issue, Boston has created 700 homes for people living with HIV/AIDS. In thirty-six developments across the city, people living with HIV/AIDS now have the safe and dignified housing they need and deserve. However, the Mayor's AIDS Housing Task Force's recent report reveals the need for additional affordable housing of all types for people living with HIV/AIDS. New medical treatments are leading to longer life expectancy for people living with the disease. This has implications for the affordable supportive housing market that must be addressed.

Currently more than 800 families with special needs receive housing and support services in Boston. These families include women fleeing abusive situations with their children, individuals struggling with substance abuse, and mentally and physically handicapped individuals. Our goal is to help special needs residents and their families to live independently. When that is not feasible, we are committed to assisting them in finding specialized housing options with supportive services.

POLICY:

The Menino Administration aggressively pursues financing for special needs housing and support services. Boston currently receives \$33.6 million in federal McKinney funds of which a significant portion is earmarked for special needs housing and support services. These federal dollars represent a significant decrease in funding for our most vulnerable citizens. We will continue to pursue this and other sources of funding in the years ahead, and to complement federal funding with City funds to ensure that our special needs residents are being served.

The Menino Administration has made a commitment to include special needs people as part of our overall housing strategy. As the Menino Administration provides financing for the development of both rental and ownership opportunities in Boston, it reserves a portion of those units for households designated as having special needs.

The City contributes land and buildings to be developed as special needs housing. The Menino Administration is committed to identifying sites for special needs housing as well as providing financial assistance. The City cooperates with providers of special needs housing throughout the development process.

The Menino Administration is committed to resolving disputes stemming from the siting of special needs housing. Boston's neighborhoods have become increasingly resistant to incorporating

special needs residents into the community. The Menino Administration will continue to advocate on behalf of special needs residents and to help in the resolution of disputes.

ISSUE: SHELTER AND SUPPORT SERVICES FOR THE HOMELESS

The Menino Administration recognizes that our vulnerable residents are at a high risk for homelessness. The results of the 1998 Homeless Census prove that we must continue to preserve and create both temporary and permanent housing for at-risk individuals. As expected, the number of homeless adults and children continues to rise despite our ongoing efforts to end homelessness. The 1998 survey revealed a total population of 5,272 homeless men, women and children in Boston. That represents a 5% increase over 1997's population of 5,016. Welfare reform will only exacerbate the problem.

POLICY:

The Menino Administration invests resources to ensure that no homeless person seeking shelter will go without a bed. This promise expands the City's long-term commitment to homeless people. Since 1984, the City has expended more than \$81 million in local funds to build and operate almost 700 shelter beds through its Long Island Shelter system, and to develop over 1,200 units of transitional and supportive housing using City, State and HUD funding.

The Menino Administration created a 10% set aside policy for homeless people in all new rental developments that use HOME and CDBG funds. Any new development that receives funding as part of the City's multifamily housing program must devote 10 percent of the units for homeless individuals or families. Since the policy was created in 1997, more than 200 formerly homeless individuals and families have moved into new homes because of the set aside program.

The Menino Administration and its non-profit partners have created a Continuum of Care for homeless individuals and families. With \$33.6 million in McKinney funding from HUD over the past two years, the City and its partners have been able to provide services and counseling which promote increased self-sufficiency and greater access to permanent housing. The Continuum of Care consists of the following six components: homeless prevention services, outreach and assessment services, emergency shelter and homeless day programs, transitional housing, supportive services and permanent housing. We will continue to aggressively pursue McKinney and other federal resources in order to help homeless residents resume self-sufficient lives.

CONCLUSION:

The Menino Administration, is striving to make affordable housing a reality for all its residents. We will continue to commit funding, resources, technical assistance and manpower to get the job done. We cannot wait to follow the lead of the state or the federal government. We know that we have to create change for ourselves. For this reason, the Menino Administration has put housing at the top of its agenda for 1999. This year, the City will invest more than \$25 million in housing for Boston's residents. The Menino Administration will not allow Boston to become a city with a population comprised only of the rich and the poor. Boston must remain a city that draws its strength from the diversity of its residents.

Boston is already a leader in the areas of crime prevention and education reform. We intend to make affordable housing the next issue for which Boston receives national recognition. Through a sustained and comprehensive focus on the preservation and creation of affordable housing, we are confident that we will transform our housing challenges into assets for the entire community.

We will continue to do all that we can to develop and support the development of affordable housing of all types in Boston. We will set specific housing goals each year and we will encourage Boston's residents to hold us accountable for meeting those goals. We will continue to educate residents about their rights as homebuyers, homeowners or renters. We will empower residents by helping them achieve the dream of homeownership. And we will always provide a safety net for our most vulnerable residents.

It may take some time to achieve all our goals. But, the Menino Administration sees the opportunity to create a city that works for all of its people. We agree with the writer Goethe:

'Whatever you can do, or dream you can do, begin it.

Boldness has genius, power, and magic in it.'

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